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## NOTES

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### WASHINGTON NOTES

- THE EXTRA SESSION OF CONGRESS
- A SHIP SUBSIDY INVESTIGATION
- BONDING GOVERNMENT EMPLOYEES
- THE FREIGHT RATE DECISIONS
- LUMBER OWNERSHIP IN THE UNITED STATES
- NEW BOND ISSUES
- A RECORD ON APPROPRIATIONS
- THE PAN-AMERICAN CONGRESS

The adjournment of Congress on March 4 without adopting the Canadian reciprocity treaty has practically compelled President Taft to issue a proclamation summoning a new session of Congress to meet on April 4. In conversation with the Canadian envoys, the President promised that he would use every means in his power to bring about the adoption of the treaty, while in attempting to win over members of Congress to the idea of a vote at the session just closed, he distinctly threatened an extra session, in the event his requests were not complied with. It is the general belief that this action practically assures the adoption of the bill ratifying the treaty. Meantime, a considerable mass of material bearing upon the treaty is being collected. The most significant documentary information thus far made available is found in the hearings before the Senate Finance Committee (February, 1911) giving the record of a series of sessions at which various witnesses gave testimony with reference to the effect of reciprocity upon the industries whose products are dealt with in the agreement; and the report of the Tariff Board on reciprocity with Canada (Senate Document 849, 61st Cong., 3d sess.) in which is given the material collected by the board regarding wood pulp and print paper, agricultural products and a few other items. In addition to these there have been a few reprints of older material bearing upon reciprocity with Canada at former periods. These latter are largely documentary or other data printed on earlier occasions either for or against Canadian reciprocity plans then up for consideration.

Practically at the close of the session the so-called Olcott Ship-Subsidy Investigating Committee presented a report of the work done by it during the past year (House Report No. 2297, 61st Cong., 3d sess.). This report comprises in all upward of 2,000 pages and gives the testimony taken by the committee on the subject of subsidies as well as the findings of the committee itself. The committee was originally appointed in consequence of certain charges made against members by the advocates of ship subsidies who asserted that the failure of Congress to act on the subsidy question was due to the efforts of a powerful lobby provided with funds by owners of foreign-built vessels who were unwilling to see the establishment of an oceanic American merchant marine. The committee finds that no lobby either for or against subsidy legislation has been in operation, but it adds that this finding is based upon a definition of "lobbying" which would restrict that word to the use of "corrupting influence" with members of Congress. The main interest of the report is found in the testimony of witnesses concerning the methods by which freights are maintained and tonnage distributed in trade between the United States and foreign countries. The committee learned that the so-called "steamship conferences" in existence for some time past perform this function of uniting and harmonizing conflicting interests and of preventing the employment of what are considered unreasonably competitive methods.

The joint commission on the bonding of government employees has completed its work and has published its findings in a valuable document (Senate Document No. 1260, 61st Cong., 3d sess.) in which are summed up the recommendations of the commission and the actuarial computations of the experts employed to study the losses incurred through defalcations or other shortages of government employees. The report is specially interesting because it is a complete study in a field which has not hitherto been well worked and which is susceptible of very accurate treatment owing to the fact that careful records for a large aggregate of business are kept. Originally the commission was created as a result of dissatisfaction among government employees because of the high rates charged by surety companies for bonds which the employees, when in positions of trust, had to furnish to the government. Some two years ago, Congress sought to relieve the employees by regulating the rates of

premium that could be charged by the bonding companies; and it was provided that no bond which had been charged for at a rate in excess of the specified level should be received by the government from a bonded officer. This, however, was deemed inadequate, and was followed by demands for the establishment of a government bonding system. Ultimately the joint commission already referred to was created and was authorized to employ actuarial assistance for the analysis of the facts relating to losses incurred through shortages of government bonded employees. This work the actuaries and their staff have performed, and they have incidentally instituted comparisons with the methods employed in foreign countries. They find that the work of existing bonding companies has been unsatisfactory and that the premiums have been far too high. Moreover, it is charged, the companies have been willing to connive at the escape of embezzlers whenever such individuals would arrange to protect the companies against loss on the bonds they had furnished. Hence the establishment of a government bonding system is recommended, such system to be under the control of the Treasury Department. On the last day of the congressional session an effort was made to get an appropriation of \$25,000 for the establishment of a bonding division in the Treasury, but this failed, and the report remains thus far without practical effect.

In handing down its decisions in the advanced freight rate cases (Dockets Nos. 3400 and 3500, Interstate Commerce Commission) the Interstate Commerce Commission has terminated for the time being the long-standing and bitter controversy between the railroads and the shippers which was brought to a head in June, 1910, by the effort of the roads to anticipate the passage of the new railroad legislation by filing largely advanced tariffs which would have affected about six hundred railroad companies. In brief, the commission simply finds that no cause whatever exists for the advancing of the rates at the present time and therefore it disallows all of the advanced rates. Contrary to current opinion the decisions do not forbid or even argue against the advancing of railroad rates, but are based merely upon the narrow grounds that the particular rate advances in question have not been shown to be warranted and hence cannot be allowed at present. The most remarkable feature of the decisions is seen in the fact that they are founded upon the alleged proof that the financial condition of the roads at the present time

does not demand more revenue. This opinion is supported by an analysis of the financial status of several roads which are taken as typical. The argument is put forward that, while it may be true that existing rates are not high enough to meet the needs of the so-called "weak roads," they are high enough to provide a good return upon the value of the so-called average or normal road which has not been excessively overcapitalized and is not subject to any excessive or unusual disadvantages of location or high-traffic costs. No test of the essential reasonableness of the proposed rates is offered, except in so far as the effect of the rates on incomes may be considered to furnish such a test of reasonableness. Thus the commission practically assumes authority to say what shall be a legitimate or normal rate of return upon railroad capital—a power never before claimed or assumed by it. The prospects now favor acquiescence on the part of the roads in the decisions of the commission without any attempt to appeal to the courts. In fact, the terms of the act of 1910 whereby the new Commerce Court was created leave but little ground upon which to transfer issues of fact from the commission to the court. In this connection, it is worth noting that the commission's hearings and testimony in the railroad rate cases have been printed as a congressional document in ten volumes.

The Bureau of Corporations has completed and issued the first part of a remarkable report on the lumber industry in the United States. This part deals simply with the subject of standing timber (Report of the Commissioner of Corporations on the Lumber Industry, Part I). In general, the principal facts shown by the report are as follows: (1) the concentration of a dominating control of our standing timber in a comparatively few enormous holdings, steadily tending toward a central control of the lumber industry; (2) vast speculative purchase and holding of timber land far in advance of any use of it; (3) an enormous increase in the value of this diminishing natural resource, with great profits to the owners. The report finds that the value of standing timber has increased within the past forty years, and chiefly in the past twenty years tenfold, twenty-fold, and even fifty-fold, according to local conditions. Forty years ago, three-fourths of the standing timber of the country was owned by the federal government but today four-fifths of it is privately owned. It has passed from government into private ownership by enor-

mous railroad, canal, and wagon-road grants by the federal government; by direct government sales in unlimited quantities at \$1.25 an acre; and as a result of certain public land laws, large tracts being assembled in spite of the legal requirements for small holdings. It appears that three large holdings of timber land have about 11 per cent of all privately owned timber. About one-half of the timber in the area investigated is held by only 195 holders. In the more valuable species of wood a much higher degree of concentration exists throughout the southern region. Sixty-seven holders own 29 per cent of the long-leaf yellow pine, 29 per cent of the cypress, 19 per cent of the short-leaf pine, and 11 per cent of the hardwood. As a consequence of these conditions, it is believed that the concentration of standing timber, if permitted to continue and increase, makes probable a final central control of the whole lumber industry. A few strong interests ultimately holding the bulk of the timber can set the price of timber and its products.

Owing to the passage of the Panama bond legislation by Congress shortly before the close of the session (March 1) the Secretary of the Treasury is now able to issue any or all of the Panama bonds now authorized by law without giving to them the privilege of being used as security for national bank notes. Taken in conjunction with the previously existing legislation, this means that the Secretary now has power to issue, as Panama Canal expenses call for it, somewhat over \$290,000,000 of bonds at a rate of interest not exceeding 3 per cent, such bonds to be sold without any privileges whatever and simply for what they are worth as investments. This leaves the approximately \$730,000,000 of 2 per cent bonds now outstanding free from competition in the future, since none of the new issues can be used as security behind circulation unless the privilege of being so used is specifically assigned them by the Secretary of the Treasury. At present the amount advanced to the Panama Canal account out of the general funds of the Treasury is about \$140,000,000 and this sum of bonds can be issued by the Secretary at any time that he feels disposed, and considers the conditions propitious. The Treasury has already ordered the bonds to be engraved and prepared for sale. The department may be able to go on for 60 or 90 days longer without borrowing, and may even stave off a loan longer than that if it is deemed wise to do so or if market conditions prove to be unsatisfactory for the bond operation.

A summary of the appropriations of the past Congress shows a grand total of \$1,025,489,000, which is exceptionally large for a short session, inasmuch as the continuing appropriations made at the long session preceding are not included in the new appropriations. With these omitted from the comparison, the appropriations of the session are stated by the chairman of the Appropriations Committee to be less than those of the preceding session by \$2,500,000. As a remedy for the apparently uncontrollable extravagance of Congress, the chairman of the committee now recommends the creation of a general Appropriations Committee whose duty it shall be to exercise all authority in appropriating money. It is supposed that by this means a better co-ordination of work would be secured and in consequence a more effective cutting down of excessive, and elimination of unnecessary, items would be rendered possible. The efforts of the administration to hold down expenditures by pruning estimates to some extent before sending them to Congress have been of comparatively small effect. The joint sessions held by the cabinet during the autumn for the purpose of keeping the estimates within reasonable compass have proven futile. There appears to be no prospect of securing such a change in the organization of the Appropriations Committee as is recommended by its chairman, but, as is now generally conceded, it will be unavoidable that some system of economy be introduced if new sources of taxation are not to be sought in the very near future.

Director Barrett of the Pan-American Union has issued a volume containing the complete proceedings of the Pan-American Commercial Conference held at the building of the Pan-American Union in Washington, February 13-18, 1911. At this conference, there was a large and very representative gathering of exporters interested in trade with practically all of the states of South America, and the papers read and discussions offered on the floor constitute an important contribution to the commercial geography of South America. The papers and other data with reference to the opening of the Panama Canal and its effect on North and South American commerce were particularly instructive. A mass of detailed trade information with reference to export problems and practices, credit and banking questions, transportation conditions, and various other important factors in the trade with South America was also included.